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Message Text

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FM SECSTATE WASHDC
TO AMEMBASSY ALGIERS

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FOLLOWING REPEAT KINGSTON 1012 SENT ACTION SECSTATE FEB 14.
QUOTE UNCLAS KINGSTON 1012

E.O. 11652: NA
TAGS: EMIN, ETRD, JM
SUBJECT: JAMAICA TO SELL US$300 MILLION WORTH OF ALUMINA TO
ALGERIA OVER TEN-YEAR PERIOD

1. JAMAICA HAS SIGNED A CONTRACT WITH ALGERIA TO SUPPLY THAT COUNTRY WITH US$300 MILLION WORTH OF ALUMINA OVER A TEN-YEAR PERIOD BEGINNING IN 1981. THE PACT INVOLVES THE SUPPLY OF 150,000 TONS OF ALUMINA ANNUALLY FROM THE PROPOSED JAVEMEX ALUMINA PLANT TO BE CONSTRUCTED IN SOUTH MANCHESTER WITH FUNDS SUPPLIED BY JAMAICA, VENEZUELA AND MEXICO. ACCORDING TO FORMER MINING AND NATURAL RESOURCES MINISTER, SENATOR DUDLEY THOMPSON, THE PACT IS RENEWABLE FOR A FURTHER TEN YEARS. THE PACT, HE SAID, HAS WRITTEN INTO IT THE PRINCIPLE OF INDEXATION. THIS MEANS THAT THE PRICE OF THE ALUMINA WOULD BE INCREASED IF THE PRICE OF BAUXITE INCREASES ON THE WORLD MARKET. SHIPPING COST OF THE ALUMINA WOULD BE SHARED BY THE TWO COUNTRIES.

2. IN THIS REGARD, DISCUSSIONS HAVE TAKEN PLACE ON THE
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LIKELIHOOD OF SHIPS TAKING THE ALUMINA TO ALGERIA, CARRY ON THEIR OUTWARD JOURNEY ALGERIAN PHOSPHATE WHICH JAMAICA IS LIKELY TO BUY FROM THAT COUNTRY.

3. SENATOR THOMPSON REMARKED THAT WITH SIGNING OF THE PACT WITH ALGERIA, 75 PERCENT OF THE OUTPUT FROM THE JAVEMEX PLANT HAS FOUND A MARKET. MEXICO HAS ALREADY CONTRACTED TO

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TAKE 300,000 TONS ANNUALLY. THE REMAINING 150,000 TONS OF OUTPUT HE SAID, MIGHT EITHER BE SOLD ON THE WORLD MARKET AT ATTRACTIVE PRICES, BASED ON A PRESENT FORECAST THAT THERE WILL BE SHORTAGE OF ALUMINUM BY 1981, OR TO HUNGARY WHERE PRIME MINISTER MANLEY IS NOW ON A VISIT AND IS EXPECTED TO CONCLUDE CERTAIN ARRANGEMENTS.

4. COMMENT: THE PACT TO SELL ALUMINA TO ALGERIA FOLLOWED A DRAFT AGREEMENT SIGNED IN FEBRUARY 1976. THERE WILL BE NO SHORTENING OF SUPPLIES TO THE U.S. AS THE SOURCE WILL BE FROM A NEW PLANT TO BE FINANCED BY JAMAICA (75 PERCENT), MEXICO 29 PERCENT AND VENEZUELA UP TO 10 PERCENT. A LONDON BANK HAS BEEN CONTACTED TO SEE IF THEY WOULD BE WILLING TO PROVIDE SOME OF THE CAPITAL AND A TEAM FROM THAT BANK IS EXPECTED IN JAMAICA SHORTLY TO EVALUATE THE FEASIBILITY OF THE PROJECT. THE ADDITIONAL MARKET ASSURANCE FOR JAVEMEX' OUTPUT SHOULD FACILITATE HERETOFORE LAGGING ARRANGEMENTS AND NEGOTIATIONS AMONG THE THREE PARTNERS. THE PROSPECTIVE SUBSTANTIAL RISE IN JAMAICA'S ALUMINA PRODUCTION WILL INCREASE THE COUNTRY'S ENERGY REQUIREMENTS, A SERIOUS PROBLEM WHICH JAMAICA'S FIVE-YEAR ENERGY PLAN WILL ADDRESS. IRVING UNQUOTE VANCE

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